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# **Eastern Europe: Increased Emphasis on Arms Sales**

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**An Intelligence Assessment**

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# **Eastern Europe: Increased Emphasis on Arms Sales**

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**An Intelligence Assessment**

This paper was prepared by [ ] of the  
Office of Global Issues. It was coordinated with the  
Directorate of Operations. Comments and queries  
are welcome and may be directed to the Chief,  
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**Eastern Europe:  
Increased Emphasis  
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**Key Judgments**

*Information available  
as of 10 December 1982  
was used in this report.*

East European military sales are a key element of Warsaw Pact foreign policy and provide an important dimension to the Soviet Union's growing arms export program. East European countries have complemented the USSR's sophisticated fighter aircraft, naval combatants, and surface-to-air missiles by supplying much of the ground combat equipment, including tanks and APCs, to key clients. Bulgaria and Czechoslovakia have also been extremely active in the covert arms market, using state trading companies that are overtly responsible for normal trade.

Since 1977 Eastern Europe has supplied less than 10 percent of the arms bought by the Third World, with sales averaging some \$860 million a year during 1977-80. Overall sales have been erratic in this period, with record sales (\$2.9 billion including Yugoslavia) in 1981, primarily because of heavy Iraqi demand caused by the war with Iran and by Moscow's refusal to supply Baghdad with arms in the war's initial phases. Eastern Europe quickly responded to the demand—in Yugoslavia's case independently and in the case of the other East European states, probably with encouragement from the Soviets, who undoubtedly saw arms exports by their Warsaw Pact allies as a "low profile" means of maintaining their influence.

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East European governments have diverted some arms from the reequipping of their own forces to sell them to the Third World, but this decision and the surge in arms sales in 1981 have not significantly reduced current Warsaw Pact capabilities. Most of the equipment was East European—including tanks, armored vehicles, and artillery. Moreover, the amounts involved were relatively minor compared with total East European and Soviet inventories. Sales would not have been permitted if they were perceived by Moscow as significantly reducing Pact capabilities.

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Although East Europe's need for hard currency will lead it to attempt sales of arms and technical services above the levels recorded in the 1970s and early 1980s, we do not believe that the record 1981 sales pace will be maintained because it was the result of the Iran-Iraq war. In the absence of a similar situation, we expect East European sales to decline in the short

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term. Should Eastern Europe adopt a more aggressive stance in the world arms market, Western suppliers will over the long run face increased Communist competition for conventional weapons technology.

East European manufacturers have developed specialties that will aid a sales campaign: Czechoslovakia, for example, produces small arms and ammunition, and East Germany can provide high-quality technical and intelligence services.

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### Eastern Europe: Increased Emphasis on Arms Sales

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#### Introduction

East European arms exports are an important adjunct to the Soviet arms export program,<sup>1</sup> complementing Moscow's sophisticated weapons packages. Generally, the USSR produces and exports advanced weapons, while Eastern Europe provides simpler combat equipment and support materiel. East European Warsaw Pact arms sales are coordinated with and, in some instances, orchestrated by Moscow, according to State Department [redacted]. The amount of Soviet control varies with the size of the order, the type of equipment involved, and the political importance Moscow attaches to the client/supplier relationship. [redacted]

Eastern Europe, like the Soviet Union, has used its military aid as a foreign policy tool to earn hard currency and weaken alliances between the Third World and the West. [redacted]

East European sales, traditionally less than 10 percent of arms sales to all LDCs, are highly concentrated in the lucrative Middle East market. Working closely with the Soviet Union, the Warsaw Pact states have initiated a number of important military contracts in the Middle East, including partially filling Iranian and Iraqi requirements during the Soviet embargo, and have assumed important surrogate roles. [redacted]

<sup>1</sup> Includes Poland, Hungary, Czechoslovakia, East Germany, Romania, and Bulgaria. Yugoslavia is discussed in this paper because it is a major Communist East European arms supplier. Its arms sales policies, however, are formulated independently of Moscow's direction or approval. This also applies to a lesser extent to Romania. [redacted]

#### Arms Sales and Deliveries

**Sales.** East European Warsaw Pact members closed \$4.6 billion worth of military contracts with developing countries from 1977 through 1981; Yugoslavia added another \$1.7 billion. Last year's sales of \$2 billion (excluding Yugoslavia) were triple the level averaged in recent years (table 1). East European arms commitments amounted to 15 percent of total Communist arms sales to LDCs and 10 percent of global LDC orders in 1981. [redacted]

Middle Eastern and North African states booked more than 85 percent of East European sales in the five years ending in 1981 (table 2). Almost half of the sales during this period took place last year; [redacted]

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**Table 1**  
**East European Arms Agreements With LDCs, by Supplier**

Million US \$

	1977-81	1977	1978	1979	1980	1981
<b>Total</b>	<b>6,344</b>	<b>811</b>	<b>675</b>	<b>1,092</b>	<b>870</b>	<b>2,896</b>
Yugoslavia	1,706	159	109	415	158	865
Romania	1,268	100	26	153	162	827
Czechoslovakia	1,066	371	131	383	58	123
Poland	812	23	110	100	130	449
Hungary	563	70	39	29	78	347
Bulgaria	558	7	160	2	161	228
East Germany	371	81	100	10	123	57

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**Table 2**  
**East European Arms Agreements With LDCs, by Region**

Million US \$

	1977-81	1977	1978	1979	1980	1981
<b>Total</b>	<b>6,344</b>	<b>811</b>	<b>675</b>	<b>1,092</b>	<b>870</b>	<b>2,896</b>
Asia	208	37	59	79	25	8
Latin America	16			6	1	9
Middle East and North Africa	5,481	548	448	955	668	2,862
Sub-Saharan Africa	639	226	168	52	176	17

**Deliveries.** East European arms deliveries to the Third World totaled \$4.1 billion in 1977-81; last year they exceeded \$1 billion, almost double the 1977 value (tables 3 and 4). [ ]

[ ] East European countries, with few exceptions, have supplied ground combat equipment, including tanks and APCs, whereas Moscow has sold sophisticated armaments, fighter aircraft, naval combatants, and surface-to-air missiles. Most major military equipment exported from Eastern Europe has consisted of Soviet-designed and manufactured weapons such as T-55 tanks. [ ] In recent years, however, Eastern Europe has built up

its own munitions industries and, according to both State Department [ ] has been a source of ammunition, communications equipment, vehicles, and quartermaster supplies (table 5). More advanced weapons exports from East European production lines have included armored personnel carriers and jet trainers. The enhanced production capability and aggressive sales promotion in the Middle East have enabled Eastern Europe's arms exports to grow steadily over the past five years. [ ]

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**Table 3**  
**East European Arms Deliveries to LDCs, by Supplier**

Million US \$

	1977-81	1977	1978	1979	1980	1981
<b>Total</b>	<b>4,134.4</b>	<b>588.5</b>	<b>733.2</b>	<b>798.6</b>	<b>870.9</b>	<b>1,143.2</b>
Yugoslavia	1,301.1	236.4	185.2	166.2	344.2	369.1
Czechoslovakia	904.2	126.6	214.3	239.8	257.1	66.4
Poland	646.9	51.9	74.0	175.7	19.2	326.1
Romania	367.3	24.5	64.4	74.3	54.5	149.6
East Germany	365.4	83.7	55.9	42.3	101.2	82.3
Hungary	318.4	53.6	69.2	54.9	54.1	86.6
Bulgaria	231.1	11.8	70.2	45.4	40.6	63.1

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**Table 4**  
**East European Arms Deliveries to LDCs, by Region**

Million US \$

Region	1977-81	1977	1978	1979	1980	1981
<b>Total</b>	<b>4,134.4</b>	<b>588.5</b>	<b>733.2</b>	<b>798.6</b>	<b>870.9</b>	<b>1,143.2</b>
Asia	140.9	14.2	21.0	61.8	18.4	25.5
Latin America	12.1	1.6		0.1	3.9	6.5
Middle East/North Africa	3,441.0	405.3	542.9	636.2	794.9	1,061.7
Sub-Saharan Africa	540.4	167.4	169.3	100.5	53.7	49.5

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### Economic Motivations

While small compared with sales by the United States or the USSR, arms sales represent an important source of hard currency earnings for most East European countries. Except for Bulgaria, all East European nations faced current account deficits in 1981:

	Million US \$
Bulgaria	559
Czechoslovakia	-150
East Germany	-1,315
Hungary	-727
Poland	-2,247
Romania	-818
Yugoslavia	-1,821

Current account balances have improved in 1982, but deficits remain. Increased arms exports represent an opportunity to expand one of the area's few means of earning hard currency.

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Economic constraints and the desire to increase hard currency earnings from weapons sales to the Third World are complicating efforts by East European countries to modernize and expand their own defense forces,

increasing pressure to promote military equipment sales is causing East European governments to divert

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**Table 5**  
**Eastern Europe: Selected Arms Production <sup>a</sup>**

Model	Style
<b>Tanks</b>	
Czechoslovakia	T-55, 100-mm
Poland	T-55, 100-mm
Romania	T-55
<b>Armored vehicles</b>	
Bulgaria	MTLB APC
Czechoslovakia	BMP, AICV OT 64, APC
Hungary	D-944, APC
Poland	OT-64, APC
Romania	TAB-71/72/77APC, TAB-77ARC
<b>Artillery and rocket launchers (greater than 100-mm)</b>	
Bulgaria	M-1974, 122-mm, SP
Czechoslovakia	Wheeled 152-mm, SP 122-mm, RM-70 rocket launcher
Romania	M-1979, 122-mm, MRL 122-mm, RML RRT 21/74
<b>Antiaircraft artillery</b>	
Czechoslovakia	M5 3/70, 30-mm, Twin, SP 30-mm, Twin, SP
Hungary	S-60, 57-mm
Poland	ZU-23, 23-mm
Romania	30-mm
<b>Tactical combat aircraft</b>	
Czechoslovakia	Aero L-39
Poland	TS-11 Iskra
<b>Military helicopters</b>	
Poland (civil production)	Hoplite

<sup>a</sup> Yugoslavia not included.

arms, resulting in slippages in domestic procurement programs. For example, the retention of some older T-34 tanks in Polish inventories, while newer T-55 tanks are being exported, suggests that earning hard currency from the export of T-55 tanks to the Third World is taking priority over domestic tank inventory modernization. We doubt, however, that Moscow

would permit a trade-off between sales and domestic military upgrading that would significantly reduce Pact capabilities.

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East European credit arrangements for military sales are more stringent than Soviet terms and again reflect the need to generate hard currency earnings.

repayment is often required in three to five years, sometimes in hard currency, with no discounts from list prices. There are no reports that Eastern Europe reschedules debts or offers concessionary terms. The Soviets, on the other hand, offer credit or price concessions to at least some clients to gain political leverage, and they will sometimes agree to repayments in local currency, as in India, or in commodities, as in Zambia, according to State Department reporting.

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Moscow will often reschedule a military aid debt and has done so with most of its African clients.

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#### Political Motivations

Except for Yugoslavia and Romania, Eastern Europe's foreign policy has followed that of the Soviet Union, and its sales program is consistent with Moscow's overall objectives. The USSR, without assuming formal control over Eastern Europe's military sales programs, strongly influences the selection of targets and the timing of commitments. Limited State Department reporting implies that in military sales there is a relatively high degree of consensus and coordination between Moscow and its East European allies.

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when the USSR has wanted to reduce its military aid profile it has sometimes elected to work through East European intermediaries. Such was the case when Bulgaria and Poland began training Nicaraguan Air Force personnel. Also, recipient states have sometimes felt they could compromise their "neutrality" by too close an involvement with the Soviet Union, and embassy reporting indicates that they have occasionally preferred to accept Soviet-backed assistance from Eastern Europe rather than receive support directly from Moscow. These motivations led to the accord between Egypt and Czechoslovakia in 1955. This accord was quickly

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followed by Soviet aid in 1956 and set the stage for further Soviet and East European aid to the region in the next decade. Most recently, the Soviet decision to stay out of the resupply effort in the initial phases of the Iran-Iraq war promoted a quick increase in East European arms sales to both combatants. [redacted]

Limited reporting suggests that Moscow exercises some direct leverage over East European arms sales programs:

[redacted]

- [redacted] within Czechoslovakia authorization for sales to Third World countries of certain military equipment, such as T-54 tanks, must be obtained from the Soviet Union as well as from the appropriate Czechoslovak ministries.

- In a State Department report, [redacted] the USSR controlled major dealings between Warsaw Pact countries and Syria. [redacted]

[redacted]

#### Organization and Capabilities of East European Arms Programs

Except for those of Yugoslavia, the administrative structures of the various East European arms transfer programs are believed to be similar to those of the USSR. The East Europeans are either contacted directly by a prospective arms client or indirectly

through the Soviets. Policy decisions regarding arms transfers are made at the highest political levels and coordinated with the Ministry of Defense and the Ministry of Foreign Trade. The prospective client usually deals with the representatives of a trading corporation—for example, OMNIPOL in Czechoslovakia or CENZIN in Poland. The trading corporation handles the negotiations, shipping, and training aspects of the program through representatives located in client countries. [redacted]

**Yugoslavia.** Yugoslavia is Eastern Europe's leading arms supplier, with 1981 sales and deliveries of \$865 million and \$370 million respectively. The Yugoslavs openly assert that they are "an alternative" source to the great powers and do not attach "political strings" to arms deals. Belgrade, for example, has supplied Egypt with arms and helped maintain Soviet-built MIG-21s since Egypt broke with the USSR. [redacted]

[redacted]

Yugoslavia can supply a wide range of gear to any Third World buyer, but its defense industry does not have an extensive scientific and technical base upon which to develop sophisticated air, ground, or naval weapons. While the Yugoslav Government is striving to improve its defense industry, in part to lessen its dependence on foreign sources, [redacted] reporting indicates technological constraints will limit this effort in the near future. [redacted]

Yugoslavia produces most of its own ground forces materiel, including the antitank missile AT-3/Sagger and the SA-7 Grail, [redacted]. Domestic naval production has included several coastal submarines, coastal patrol craft, mine and amphibious warfare craft, auxiliaries, and service craft. Some

[redacted]

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tactical aircraft such as the GALEB and JASTREB are produced indigenously. Originally, the Jurom multirole jet fighter agreement called for joint Yugoslav-Romanian development and production. Dissatisfaction over Romanian production of major aircraft components may, however, lead the Yugoslavs to independently develop a modified version, the Orao B,

type) and surface-to-air (SA-7/Grail) missiles.

Significant quantities of ground force materiel, as well as both the L-39 trainer and L-410 transport, exported.

**Poland.**

**Czechoslovakia.** Prague ranks as Eastern Europe's second leading arms exporter to the Third World.

According to State Department reporting, the Polish aircraft industry ranks among the largest in Poland, with about 19 factories and 100,000 employees. About 60 percent of total production is exported, primarily to the Soviet Union and other CEMA members. The industry designs and produces a variety of light aircraft but has little capability to develop and produce heavier aircraft. Current production consists of Colt (AN-2) small transports, Hoplite (MI-2) turbo-shaft helicopters, TS-11 Iskra jet trainers, and the PZL-104/Wilga communications/utility aircraft.

The first Communist arms agreements concluded with Third World countries—Egypt, North Yemen, and Syria—were signed by Czechoslovakia, which, can produce large quantities of military equipment and has a reputation for quality products. Prague is the most self-sufficient of the East European Communist countries in armaments production, It produces medium tanks, armored personnel carriers, the L-410 light transport, truck-mounted rocket launchers, and some small antitank (AT-3

Although Polish shipyards can produce principal surface combatants, naval production has been limited to coastal patrol craft, mine and amphibious warfare

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ships and craft, auxiliaries, and service craft, [ ]

[ ] Polish armaments supplied to the Third World include T-55 medium tanks delivered to India, Egypt, Libya, Syria, and Iraq, among others. Infantry weapons have also been extensively exported to Third World clients, [ ]

improve their own technical knowledge, but we believe efforts to achieve the current state of the art in military technology will be long and costly. [ ]

[ ] Romania produces an expanding range of military equipment including armored personnel carriers, tanks, truck-mounted rocket launchers, antitank launchers, artillery, infantry weapons, and ammunition. Recent naval ship production is limited to various types of coastal patrol craft (some of which are built under license agreements with the People's Republic of China) and mine warfare craft. Romania is assembling French helicopters and producing small British transports under license, [ ]

**Romania.** Bucharest's arms sales program is the least influenced by Soviet direction—or wishes—of any of the Warsaw Pact countries, [ ]

even though the rest of Egypt's former Warsaw Pact allies suspended arms trade with Cairo in 1975, the Romanians continued and even expanded arms supply. [ ] Romania also acts as a broker for MIG-21 spare parts shipments from China to Egypt. [ ]

**Hungary.** [ ]

The Foreign Trade Directorate (DCE—Directia de Comerț Exterior), possibly related to the foreign trade enterprise Romtehnica within the Ministry of National Defense, handles the export and import of arms, military equipment, and war machinery, [ ]

[ ] The DCE is subdivided into geographic sections. A representative of the DCE is usually attached to the Romanian Embassy in countries that buy military equipment from Romania. Trade agreements are negotiated by military attaches or special visiting delegations. The directorate has close connections with Romanian enterprises and factories that manufacture military goods such as light infantry arms, torpedo boats, quartermaster equipment, vehicles, and ammunition. [ ]

Military production facilities in Romania are operated by the Ministry of Machine Building Industry with the cooperation of the Ministry of National Defense (MND), [ ]

[ ] These facilities are run in conjunction with and under the cover of Romanian machine-building factories. The Romanian armaments industry is characterized by its diversification, its partial integration with civilian industry, and its reliance on foreign technology in many fields of specialization. The Romanians have created research institutes designed to

Hungary ranks fifth among East European arms suppliers in the sale of military equipment to the Middle East; only Bulgaria and East Germany have sold less to Middle Eastern clients. The Middle East nonetheless accounts for 85 percent of Hungarian military sales worldwide, largely because of Libya's orders. Libya is Budapest's most important buyer, having purchased a \$300 million early warning radar system. Iraq is also an important buyer. [ ]

**Bulgaria.** The Bulgarian armaments industry consists of industrial enterprises and research establishments subordinate to the Metallurgy and Chemistry State Economic Trust (DSO Metalkhim) of the Ministry of Machine Building, [ ]

[ ] DSO Metalkhim employs about 70,000 persons in a chemical plant, a scientific [ ]

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research institute with an experimental plant, a scientific-production enterprise, a foreign trade organization, and about 10 small plants. DSO Metalkhim is the largest state economic trust in Bulgaria, with 65 to 70 percent of its production for military use. [ ]

The foreign trade organization KINTEX represents DSO Metalkhim abroad. It has about 200 employees, most of them trade specialists. [ ]

[ ] KINTEX handles all Bulgarian exports and imports of military equipment<sup>2</sup> plus some civilian foreign trade, but the latter is probably less than 25 percent of total turnover. [ ]

The production technology used by DSO Metalkhim industries is in general 15 to 20 years behind that in the West, and labor productivity is very low. [ ]

[ ] Despite these shortcomings, DSO Metalkhim is the most profitable state economic trust in Bulgaria in terms of hard currency earnings. [ ]

[ ] Bulgaria produces infantry weapons and ammunition and is believed to be assembling the SA-7/Grail surface-to-air missile with Soviet help and imported components. Naval ship construction has been limited to coastal patrol rivercraft, minesweepers, amphibious warfare craft, and small service and auxiliary units. [ ]

**East Germany.** Fragmentary information indicates that an organization that may be involved in East German arms exports, Ingenieur Technischer Aussenhandel, is in the Ministry of Foreign Trade in East Berlin. More detailed information is unavailable. [ ]

East Germany ranks last among Communist countries in military sales. Nevertheless, it is probably the largest East European arms supplier to Sub-Saharan

<sup>2</sup> KINTEX is also involved in the gray arms market detailed on page 9. [ ]

Africa and a leader in developing and training local intelligence services, according to usually reliable sources. [ ] the types of equipment exported include vehicles, artillery, small arms, and ammunition; East Germany has not become an important provider of critical or sophisticated arms to any recipient. In Sub-Saharan Africa, where it is the largest East European supplier, East Berlin has furnished less than 3 percent of the arms bought from all sources. East Germany's military technical assistance program traditionally has been more extensive than equipment supply. [ ]

Production of East German ground forces combat materiel is limited to infantry weapons, small arms ammunition, light and medium trucks, and some engineer equipment. The GDR also has extensive facilities for the production and repair of naval ships. Production in recent years has included amphibious warfare ships, minesweepers, patrol craft, and various types of auxiliary ships. Aircraft production was terminated in 1961. [ ]

#### Technical Services

East European countries have provided technical services to LDCs, again largely to supplement the Soviet military presence. [ ]

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In addition to earning hard currency without having to divert its own scarce industrial resources, Bulgaria has probably used arms trafficking to pursue Soviet Bloc foreign policy goals, [ ] 25X1

[ ] By contributing to the instability and domestic violence in Turkey, Sofia has sought to keep a traditional enemy off balance. At the same time, it appears that Sofia may have been able to curry favor with Moscow by fostering instability within the country guarding NATO's strategic southern flank and the eastern entrance to the Mediterranean. [ ]

Open-source reports indicate that the state-owned OMNIPOL Trading Corporation in Czechoslovakia offers a vast selection of guns from the huge state-owned Brno arms complex—Skorpion machine pistols, Model 58 assault rifles, rockets, pistols, and ammunition. OMNIPOL can also provide artillery pieces from the Skoda works at Plzen. We believe that Czechoslovakia asks few questions of buyers and OMNIPOL treats as a mere formality the end-user certificate requirements. Prague rarely rejects profitable, even if politically suspect, deals. [ ] 25X1

### The East European Role in the Gray Arms Market<sup>3</sup>

Bulgaria and Czechoslovakia are extremely active in the worldwide covert arms market through state trading companies overtly responsible for normal trade activity, [ ]

[ ] Although lacking the industrial base for large-scale weapons production, Bulgaria has successfully capitalized on the highly lucrative illicit international arms trade by combining the roles of arms dealer and middleman with the long-established Balkan tradition of smuggling. As a recognized government, Bulgaria can acquire huge quantities of small arms and ammunition—far more than its domestic needs—from both the USSR and Western countries. [ ]

The press has identified Czechoslovak weapons in almost every hot spot in the world, often on both sides of the conflict. The Nigerian Government and the Biafrans both used Czechoslovak weapons in the Nigerian civil war as do the Ethiopians and the Eritrean revolutionaries in their civil war. The guns of Brno also have been used by nearly every faction in the Angolan dispute. The Iraqi Government spent millions on Czechoslovak weapons to battle Kurdish rebels armed with the same equipment. Greek Cypriot fighters and Venezuelan and Bolivian rebels have also been equipped with Czechoslovak arms. [ ] 25X1

### Prospects

Eastern European countries, acting with the Soviet Union, will continue to use their military sales programs as key elements of foreign policy. Their successes suggest that the Warsaw Pact members will supplement their relatively small military sales programs by expanding high-quality training and support to LDC clients. An effort to increase sales is also [ ] 25X1

<sup>3</sup> "Gray arms market" refers to any transfer or offer to transfer weapons, ammunition, or related military items on other than a direct government-to-government basis. [ ]

<sup>4</sup> While it is common for states exporting military weapons to impose some sort of end-use controls, these controls vary widely. Some suppliers, such as the United States, insist that recipients agree not to retransfer any weapons without the consent of the original supplier. Other suppliers assume no responsibility for retransfers of their military equipment. [ ]

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likely, given Eastern Europe's hard currency needs, although preliminary military reporting indicates that East European arms orders were down in the first half of 1982 and future sales will most likely drop from 1981's record pace.

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As an arms supplier to the Third World, Eastern Europe does not compete directly with the United States either in terms of clients or in major equipment exports. East European customers in the Middle East—Iraq, Iran, Syria, and Libya—are not US customers. Moreover, Eastern Europe does not compete with the United States in the export of advanced fighters, missiles, and naval combatants. Future trends in the high-technology weapons market generated by the Lebanon and Falklands crises should reduce even further the weak competitive links between the United States and Eastern Europe. Nevertheless, because more than 85 percent of East European military trade is with the politically and strategically sensitive Middle East, the United States will continue to maintain a strong interest. US concern will also remain high over any East European activities as surrogate for Moscow, and over arms shipments from Bulgaria and Czechoslovakia aimed at the international terrorist market.

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## Appendix

**Table A-1**  
**East European Current Account Balances**

Million US \$

	Bulgaria			Czechoslovakia		
	1980	1981	1982 <sup>a</sup>	1980	1981	1982 <sup>a</sup>
Current account balance	940	559	770	-393	-150	590
Trade balance	997	615	700	7	375	1,050
Exports	3,056	3,092	3,200	4,597	4,827	4,800
Imports	2,059	2,477	2,500	4,590	4,452	3,750
Net invisibles (excluding interest)	255	287	320	-30	-30	-30
Net interest	-312	-343	-250	-370	-495	-430
	East Germany			Hungary		
	1980	1981	1982 <sup>a</sup>	1980	1981	1982 <sup>b</sup>
Current account balance	-1,732	-1,315	475	-364	-727	-162
Trade balance	-1,722	-800	800	279	445	808
Exports	5,898	6,300	6,900	4,911	4,877	4,921
Imports	7,620	7,100	6,100	4,632	4,432	4,113
Net invisibles (excluding interest)	900	985	1,075	-234	-72	20
Net interest	-910	-1,500	-1,400	-409	-1,100	-990
	Poland			Romania		
	1980	1981	1982 <sup>c</sup>	1980	1981	1982 <sup>a</sup>
Current account balance	-2,600	-2,247	-2,600	-2,399	-818	250
Trade balance	-700	-433	500	-1,534	204	1,200
Exports	7,400	4,971	5,400	6,503	7,216	7,000
Imports	8,100	5,404	4,900	8,037	7,012	5,800
Net invisibles (excluding interest)	300	479	200	-77	25	90
Net interest	-2,200	-2,293	-3,300	-788	-1,047	-1,040
	Yugoslavia					
	1980	1981	1982 <sup>b</sup>			
Current account balance	-2,258	-1,821	-980			
Trade balance	-5,720	-4,880	-3,181			
Exports	5,600	5,720	5,846			
Imports	11,320	10,600	9,027			
Net invisibles (excluding interest)	4,542	4,649	4,028			
Net interest	-1,080	-1,590	-1,827			

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**Table A-3**  
**East European Administration of Arms Export Programs**

Country	Organizational Element	Comments
Yugoslavia	DIRPROM, The Directorate of Supply and Procurement within the Federal Secretariat for National Defense	Within DIRPROM a military materiel Export Office acts as a national-level control point to centralize Yugoslavia's sales efforts. The defense industry of Yugoslavia does not have an extensive scientific and technical base to develop highly sophisticated weapons. Most complex systems are supplied by other countries.
Czechoslovakia	OMNIPOL functions as the official state trade organization for sales and contracts.	Czechoslovakia has a capacity to produce large quantities of military equipment, a reputation for quality products, and a chronic need for foreign exchange. Requests for military aid are coordinated with the Czechoslovak Ministry of Defense.
Poland	The Central Engineering Directorate (CENZIN) of the Polish Ministry of Foreign Trade is responsible for handling Polish arms trade with foreign countries.	CENZIN consists of several offices which handle imports and exports for various regions of the world, including the Warsaw Pact countries. All sales of Polish military equipment are coordinated by CENZIN with the Main Technical Inspectorate of the Ministry of National Defense.
Romania	The Directia de Comerț Exterior—DCE (a foreign trade directorate) within the Ministry of National Defense handles the export and import of arms, military equipment, and war machinery.	A representative of the DCE is usually attached to Romanian embassies in countries with which foreign military trade occurs. Agreements for military equipment are routed through military attaches or special visiting delegations. The range of export goods include light infantry arms, torpedo boats, quartermaster equipment, vehicles, ammunition, and other equipment.
Hungary	Hungarian military exports are handled by the foreign trade enterprise TECHNIKA, with Hungarian military attaches acting as the authorized representatives of TECHNIKA.	Hungary ranks fifth among East European arms suppliers in the sale of military equipment to the lucrative Middle East arms market. Libya is Budapest's most important buyer and is largely responsible for the Middle East accounting for 85 percent of Hungarian military sales worldwide.
Bulgaria	The Bulgarian armaments industry consists of industrial enterprises and research establishments subordinate to the Metallurgy and Chemistry State Economic Trust (DSO Metalkhim) of the Ministry of Machine Building. The foreign trade organization KINTEX represents DSO Metalkhim abroad.	KINTEX handles most of Bulgarian exports and imports of military equipment plus some civilian foreign trade, although the latter is probably less than 25 percent of total turnover. KINTEX is also heavily involved in the private arms market as well.
East Germany	We have virtually no information on the organizational element responsible for East German exports—Ingenieur Technischer Aussenhandel—other than its possible location in the Ministry of Foreign Trade in East Berlin.	East Germany is a small military supplier. East Germany's military technical assistance program traditionally has been more extensive than equipment supply. East German personnel have assumed responsibility for a growing number of support tasks in Third World countries.

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